

SINALOA INCORPORATED: UNDERSTANDING THE SINALOA CARTEL LIKE A CORPORATION TO REDUCE VIOLENCE IN MEXICO

The University of Texas at Austin – B.A.

Adriana Ortiz

(TC 660H or TC 359T)
Plan II Honors Program
The University of Texas at Austin

August 14, 2017

(Supervisor Name)
(Supervisor Department)
Supervising Professor

(Second Reader Name)
(Second Reader Department)
Second Reader

Acknowledgements

First and foremost, I want to thank Dr. Stephanie Holmsten and Dr. Rachel Wellhausen for their support, patience, and guidance over the course of this project. Secondly, I want to thank my family and friends for offering me the strength to continue writing even when I hit roadblocks or was extremely stressed out. Lastly, I want to thank the Plan II Office thesis advisors and academic advisors for their continued support and belief that I could finish the project.

Abstract

Author: Adriana M Ortiz

Title: Sinaloa Incorporated: Understanding the Sinaloa Cartel like a Corporation to Reduce Violence in Mexico

Supervising Professor: Dr. Stephanie Holmsten

Second Reader: Dr. Rachel Wellhausen

The Sinaloa Cartel is one of the various drug cartels currently existing in Mexico, but unlike other drug cartels, the Sinaloa Cartel has lasted the longest, was titled the most powerful drug cartel in the world by the U.S. Treasury Department and developed the most sophisticated business system. The characteristics of the system are strategies that legal corporations such as the United Fruit Company, the Brown and Williamson Company, and the Browning Arms Company use; and that includes offshoring, social media, and collaboration with the government of its home state, respectively. These strategies were all necessary for the Sinaloa Cartel to expand its presence in the globalized illegal drug market. That said, similar to legal corporations when there is a lack of regulation; businesses are prone to illicit activities that lead to violence. In the case of the Sinaloa Cartel, the lack of regulation on drugs has allowed them to grow their business and give them an incentive to engage in criminal activities such as the use of violence to maintain its corporate-like business running. Therefore, an alternative solution to the drug war is offered to counter the Sinaloa Cartel as a multinational corporation, and reduce the violence associated with it.

Table of Contents

Acknowledgements	2
Abstract	3
Introduction: Violence in Mexico	6
Chapter 1: Sinaloa Cartel like a Corporation	24
Chapter 2: Lack of Regulation	31
Chapter 3: Alternative Solution	49
Conclusion	57
Bibliography	60



State of Sinaloa

U.S.-Mexican Border

Sinaloa Influence in
Central America

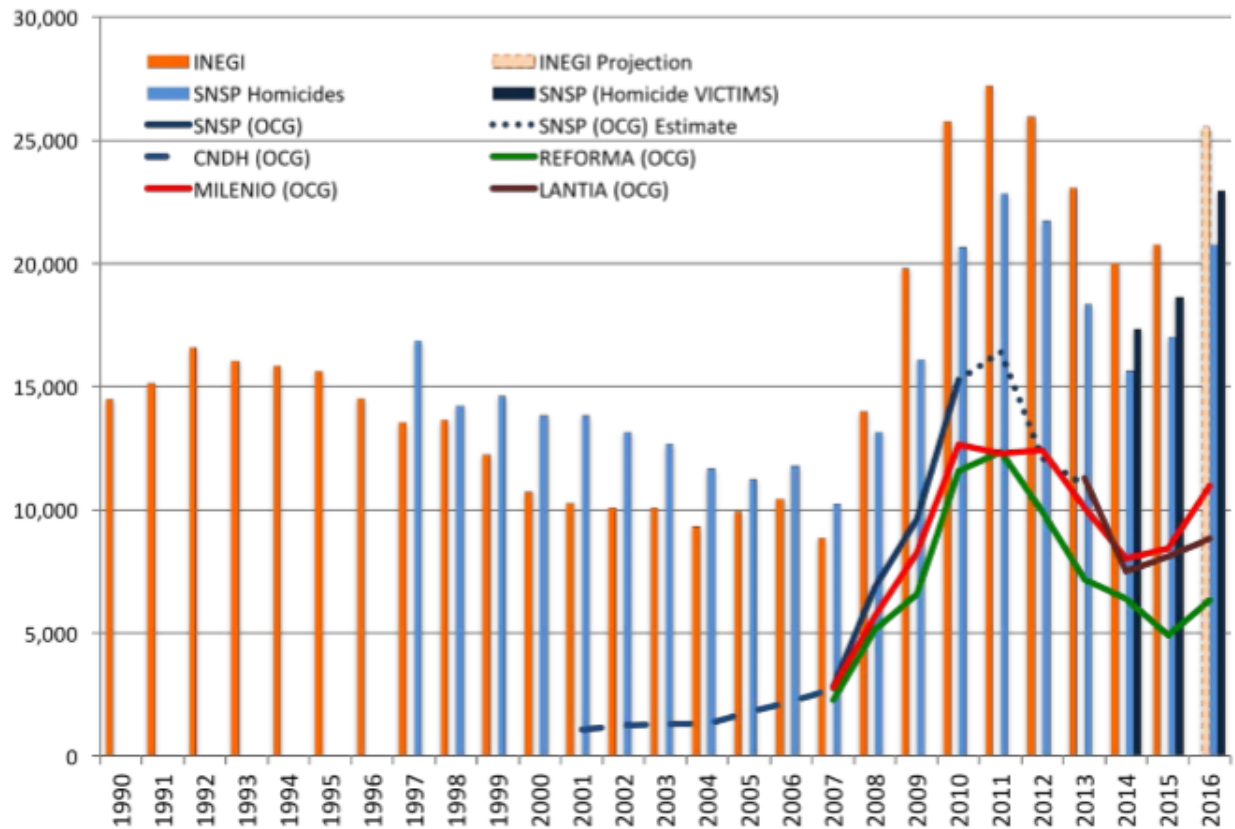
INTRODUCTION: VIOLENCE IN MEXICO

In the 2016 report from the International Institute for Strategic Studies—a leading authority on global security, political risk, and military conflict—Mexico were given second place, behind the Syrian civil war, for housing one of the world’s most lethal conflicts. The report pointed at fatalities in “states that were key battlegrounds for control of competing [drug] cartels [that wer] seeking to ‘cleanse’ areas of rivals in their efforts to secure a monopoly on drug-trafficking routes and other criminal assets” (“IISS” 2017). The report was a crushing blow to the current President of Mexico, Enrique Peña Nieto. Since the 1990s Peña Nieto’s predecessors were plagued with violence associated with drug trade organizations (DTOs). In figure 1, the rate of homicides serves as a measurement for the degree of violence since 1990, and it was recorded by the *Instituto Nacional de Estadística Geografía e Informática (INEGI)* shown in orange. Furthermore, this was a troubling result of a nearly four-decade long battle against the drug war that was initiated by President Richard Nixon, in the early 1970s in an attempt to halt the increasing drug consumption that had developed among Americans.

Nevertheless, this paper starts its focus on the year 1990 because this is when the Guadalajara Cartel led by Miguel Angel Felix Gallardo, also known as El Padrino, was fragmented into five sectors, one of which was the Sinaloa Cartel led by Joaquin Archivaldo Guzman Loera—El Chapo (Beith 2010). Unlike the other four branches of the now dismantled Guadalajara Cartel, El Chapo managed to stay in control of the Sinaloa Cartel from 1990 – 2016 and he expanded the Sinaloa Cartel’s influence. He accomplished this while he was behind bars (*Time* 2014), and it was significant enough that in 2012 he was

deemed by the U.S. Department of Treasury as the most powerful drug trafficker in the world¹.

Figure 1: Homicide and Organized Crime Homicide Data from 1990 - 2016



Sources: INEGI, SNSP, *Reforma*, *Milenio*, Lantia, CNDH. This figure also shows a bar plotting number of homicide victims for 2015 and 2016, recently released by SNSP.²²

Furthermore, as a business entrepreneur he distinguished himself enough for *Forbes* magazine to include El Chapo on its billionaire list (“#701 Joaquin Guzman Loera” 2017) with a specialization in shipping. At the same time, the Sinaloa Cartel is partly held responsible for the violence that consumes Mexico. As a business, scholars anticipated that the Sinaloa Cartel would be less inclined to engage in violence, but the reality is that

¹ Press Center, U.S. Department of the Treasury. (2012, January 10). Treasury Sanctions Three Drug Traffickers Tied to Mexican Drug Lord Chapo Guzman

“violence...is not a function of the drug trade specifically. It is how the cartels manage everything from marketing to public relations to human resources” (Morris 2013). The reason is that the cartels do not have legal mechanisms that they can rely on because their activities are illegal. Thus, they cannot use the court system to settle law suits or create a reliable contract between cartels (Beith 2010).

For this paper, the drug trade of the Sinaloa Cartel is the main focus. The Sinaloa Cartel has diversified into other markets such as “extortion, kidnapping, and human trafficking” but “most of [the] income is from the drug trade” (Bonner 2012). Furthermore, as the biggest supplier of illegal narcotics in the United States the Sinaloa Cartel is targeted under the “drug-free.” Since illegal narcotics are the most important business for the Sinaloa Cartel, how should the Sinaloa Cartel be conceptualized to understand its tendency towards violence? Scholars have argued that there are three key events that explain this phenomenon.

THE DECLINE IN POWER OF THE MEDELLIN CARTEL and THE MULTILATERAL AGREEMENT OF NAFTA

The combination of the fall of the Medellin Cartel in 1993 and the creation of the North American Trade Agreement in 1994 created a competitive environment in which various drug trade organizations violently clashed for control.

In the 1980s Pablo Escobar, the capo of the Medellin Cartel, lead his business to its peak. His main routes consisted of traveling from a small island in the Bahamas to Miami, Florida. The trade was so lucrative that, according to the Wall Street Journal, during this time one kilo could have cost Escobar \$1,000 to refine, but he would sell it in the United States between \$50,000 to \$70,000 U.S. dollars (Green 2017). Unfortunately, it was around that same time that homicides

tripled in the area, which is what triggered authorities into action. At the federal level, the first step to interfere with the drug cartel's business was with President Ronald Reagan who created the South Florida Task Force and effectively seized up to 56% of the shipments made to Miami (Green 2017). Under these circumstances, Escobar decided to change his route strategy and included Mexico as Colombia's "trampoline" into the United States.

The negotiation was essential that the Medellin Cartel provided the cocaine and that Mexico's drug cartels distribute the cocaine into the United States at a fee. One of the drug cartels responsible for this distribution was the Sinaloa Cartel. At the time, the Sinaloa Cartel was a part of the Guadalajara Cartel under Miguel Felix Gallardo—who developed an inflated sense of power that drove him (along with two other allies) to plot the brutal assassination of Drug Enforcement Agency (DEA) agent Enrique "Kiki" Camarena in 1985. By 1989, Felix Gallardo was caught and convicted, and he moved to a high-security prison. The Guadalajara Cartel was divided, and the Sinaloa Cartel fell under the leadership of Joaquin "El Chapo" Guzman, Hector Luis Palma Salazar, and Adrian Gomez Gonzalez in the 1990s and the Tijuana Cartel fell under Arellano Felix brothers (Beith 2010). By 1993, while trying to escape the DEA and Colombian Federal police, Pablo Escobar died. After his death, the Medellin Cartel lost its edge in the cocaine market, and the Sinaloa Cartel took advantage of this disruption by trying to appropriate itself over the drug trade routes, which led to violent conflicts with other drug cartels.

In 1994, the conflicts between the rivaling drug cartels increased when the North American Free Trade Agreement (NAFTA) was signed. This multilateral agreement between the United States, Mexico, and Canada facilitated the transportation of legal consumer goods across the border by reducing tariffs and establishing trade preferences between the three countries. At

the same time, NAFTA also made it less risky for the Sinaloa Cartel to ship its illegal goods across the border for two reasons. First, since the agreement was signed “merchandise trade among the NAFTA partners has more than tripled, reaching US\$946.1 billion in 2008” (“North American Free Trade Agreement” 2017), which means that it is almost impossible to interdict drugs at the border. To put the difficulty of interdicting drugs at the border into perspective, when President Nixon declared his war on drugs in the early 1970s he also implemented Operation Intercept to find drugs at the border between Mexico and the United States. The operation only lasted 17 days because it backed up cars deep into Tijuana and because agents had only seized a few actual drugs (Grillo 2011). If that happened in the seventies when Mexico was not the United States’ third most important trading partner, then the current efforts to interdict illegal drugs is not expected to be that much better. The second reason why NAFTA facilitated the Sinaloa Cartel’s business is that it left many farmers out of work (Mckibben 2015). For instance, before NAFTA was signed farmers working in the southern part of Mexico had subsidies for corn. After NAFTA had come through, they were forced to compete with the corn made in the United States and the government stopped subsidizing corn for the farmers. Since Mexico’s farmers were unable to compete, they started cultivating Cannabis plants—the plant from which marijuana comes from—instead (Mckibben 2015). Therefore, drug trade organizations benefited tremendously from NAFTA.

However, the benefits from NAFTA and the fall of the Medellin Cartel combined increased the amount of violence associated with the drug trade organizations. Both of these events were about a year apart, and in the aftermath, the border between the United States and Mexico became a strategic battle ground to transport drugs. The Sinaloa Cartel realized the importance of the border and decided to take control over the Tijuana drug route located at the

border with California, which was owned by the Arellano Felix brothers. The encounter between the two cartels “registered more than 300 killings a year from 1994 until 1999, when it hit 637” (Grillo 2011), of which the majority was attributed to the Sinaloa Cartel (Grillo 2011; Beith 2010). Thus, the argument that the combination of NAFTA and the fall of the Medellin Cartel led to the increase in violence of the Sinaloa Cartel.

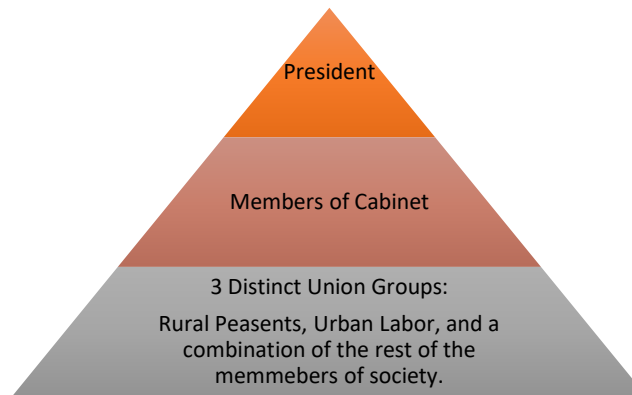
TRANSITION FROM A HYBRID TO A DEMOCRACY IN 2000

The transition from a hybrid—the combination between an authoritarian government and government and the drug trade organizations that coexisted under the hybrid political system (O’Neil 2009; Bonner 2010). The hybrid political system based itself off of Mexico’s first political party the *Institutional Revolutionary Party* (PRI), which was created in 1936. The purpose of the PRI was to mimic the democratic system of the United States, but instead, it became known both as the dominant party and the perfect dictatorship because it lasted in power roughly 71 years (Grillo 2011). The PRI managed to this by developing what Kenneth Greene in his book *Why Dominant Parties Lose: Mexico’s Democratization in Comparative Perspective* called the “corporate and clientelism” system (Greene` 2007).

Greene argues that the “corporate and clientelism” system that Mexico was under for nearly 71 years was similar to a corporation. For example, in a corporation, there is the president of the company, its managers, and at the bottom, the workers divided based on their labor. The “clientelism” part was added because the system remained relatively stable due to the exchange of goods and services for political support, which helps explain how the PRI kept power for so long. Through corporate clientelism, the Mexican government became a centralist state—meaning that the president of the political party had overwhelming power over the rest of the

political system. In figure 1, the structure of the corporate and clientelism system is portrayed as a pyramid.

Figure 2: Corporate and Clientelist System in Mexico



Source: Created by Author based on Kenneth Greene's *Why Dominant Parties Lose: Mexico's Democratization in Comparative Perspective*

Essentially through this organization political competition from the opposition was almost eliminated (with a couple of exceptions to maintain the democratic facade) because the PRI's president had almost absolute control over political decisions and virtually who the next president would be within the PRI.

Thus, despite the 1917 constitution, Mexico was still functioning under a centralist mentality. In fact, in an interview with *The Economist* ex-president Felipe Calderon (2006 - 2012) agreed that the Mexican government maybe "...has always been a culturally centralist country" that is still trying to adapt to the federalist model of the United States. The federalist system divides the branches of power between the executive, legislator, and judicial systems and each branch act as a check and balance towards the other branches. By comparison, the centralist system places a lot of power on the executive branch to make decisions.

The impact of the "centralist culture" that Calderon mentioned is significant because it meant that for every sector of society (referring to the different levels of the corporate and

clientelism system) there was one point-of-contact that would send out a command and mobilize masses. This meant the cartels did not have to murder or impose fear because there were fewer people that needed to be bribed to get the point across a massive group of people. For instance, towards the end of the 1990's under Ernesto Zedillo not only did the Federal electoral institutions gain autonomy from the PRI, but he also ordered the arrest of drug czar General Jesus Gutierrez because he had been working with the drug cartels. By the time Vicente Fox came to power in 2000 under the National Action Party (PAN), the structure that the PRI had perfected for so long replaced a democracy in which the civilian population demanded a bottom to top representation not a top to bottom consideration, and the power of the federal government was decentralized dramatically. For the cartels, this was a threat because as the PRI started losing power more people from the opposition group had to be bribed or threatened.

On that note, the transition to a decentralized government forced politicians to figure out how they would deal with governmental pressures outside of the PRI's system—and the Mexican government was not prepared. For instance, two months into Fox's administration El Chapo escaped a high-security prison in Guadalajara by bribing the prison officials. The reason, as Grillo points out, is the “cock-up theory.” It just so happened that El Chapo had had time to work the old system on the part of the country that was under a slow reform--the prisons.

In addition to the decentralization of government, a decade earlier the Guadalajara Cartel—the origin of all cartels in Mexico—had been dismantled when El Padrino was captured. In its absence five new cartels appeared and that included the Tijuana Cartel, the Juarez Cartel, the Sonora Cartel, the Gulf Cartel, and the Sinaloa Cartel. When the shift from a hybrid to a democracy occurred, drug cartels had to compete for territory and political allies (Grillo 2011).

However, unlike before it was shunned by the society. This is why Grillo argues that in 2004 Arturo Guzman Decena--a military man and the founder of the Zetas--defected to join the Gulf Cartel because he was worried about “the demands to clean up abuses of the old regime” (Grillo, 2011) such as that of the Zapatista movement. The Zetas eventually separated themselves from the Gulf Cartel and created their organization, formed out of military defectors, that eventually controlled the trafficking routes of Nuevo Laredo. Unfortunately, in 2004 around the same time that the Zetas distinguished themselves, the Sinaloa Cartel was also thinking of taking the trafficking routes of Nuevo Laredo. The two cartels clashed over the territory, producing thousands of deaths and violence.

The election of current president Enrique Peña Nieto returned the presidency to the PRI, and he argued that he would focus on reducing the crimes committed against civilians rather than chasing after drug cartels themselves. Some view this as necessary for all the families that were destroyed, but others see this as mending the ties between the government and the drug cartels. Either way, it is argued that the Mexican government's' inability to effectively transition its institutions and government into a democracy led to an increase of power and violence in the Sinaloa Cartel.

CALDERON’S “DRUG WAR.”

President Felipe Calderon’s declaration of war against the drug cartels in Mexico using the military created a violent clash between the state and the drug cartels. Calderon informed the Mexican public that unlike ex-president Vicente Fox, he would eliminate the drug cartels head on by using the military. His strategy consisted of targeting the hotspots of the cartels like Durango, Chihuahua, and Sinaloa (also known as the Golden Triangle) among other areas

locations that are known to shield drug organizations. According to the Strategic Studies Institute, George W. Grayson points out that the military was not prepared to take on an urban setting. In other words, for the past four decades before Calderon took office the military's main role was to eradicate the poppy or cannabis plants by pulling the roots out of the ground in rural areas, and it was a peaceful method of combating the drug cartels. However, via Calderon's declaration, the military was sent to civilian areas that did not differentiate between drug dealers and innocent people. Thus, violent crimes erupted against innocent people. For instance, the National Human Rights Commission received "5,055 complaints against the military and 5,300 went missing (Grayson, 2009), and "...generals and admirals wanted protection against NGO's who have accused senior officers of war crimes..." (Grayson, 2009).

At the local level, Mexico's local police, municipality police, federal police, and the military where all are working disjoint from each other. Even Calderon agreed to state that in Acapulco "there is a [local] authority there, and there is a governor in Guerrero [the state in which Acapulco lies], and that mayor [of Acapulco] has 4,000 police—between the two of them they have 5,000—and the ideal thing is for those police forces to work. And while that doesn't happen, well obviously the process of instability continues". Thus, since there was, and still is no, the unity of the legal authority it has made the war on the drug cartels all that more ineffective. A clear case of this was in Ciudad Juarez in Mexico bordering El Paso, Texas. When Calderon released the military here, the violence levels increased dramatically, and it leads to Juarez's infamous label as "the world's most dangerous city." To top it all off, InSight Crime, a Washington sponsored news cite, stated that according to Mexico's Attorney General's Office in 2013, during Calderon's six years in office only "...31% of those arrested on drug charges...were convicted" throughout Mexico. This created a dent in Calderon's statement to the Economist

assuring that after a “...period of adjustment, which turbulent...comes a period of stabilization...in so far as...the vacuum [of power] is filled by the authorities” (*The Economist* 2012). After all, the vacuum of power was instead conquered by stronger, more organized, and sophisticated drug cartels--one of which was the Sinaloa Cartel.

The Sinaloa Cartel posed a serious threat to Mexico’s federal government, so attempts were made to reduce the cartel's area of influence. Surprisingly, given the insecurity and fear that Mexico was living through during Calderon’s presidency rumors spread accusing Calderon of working the Sinaloa Cartel in two distinct ways. The first involved the federal police which was criticized for having helped the Sinaloa Cartel take over the city of Juarez from the Juarez Cartel. The second had to do with the elimination of rival cartels by arresting the leading capos of those cartels. From 2008 to 2012, five out of the ninety-four cartel leaders that were arrested were from the Sinaloa Cartel (Grayson, 2013). A good chunk of the rest involved the Zetas and the Juarez Cartel which were the two most problematic cartels that opposed the expansion of the Sinaloa Cartel. Whether this was the case or not, those that were not part of the “Drug War” were exposed to unimaginable amounts of violence for the struggle of territory among the cartels without a legitimate legal authority to turn to.

All the previously mentioned explanations offer a reasonable reason why cartels—and for this paper the Sinaloa Cartel—have become ever so much more violent. However, there is a missing layer. The Sinaloa Cartel is more than just a non-political actor influencing policy decisions and increasing levels of violence in Mexico; it is also a business. Therefore, “...a coherent drug policy must begin with the premise that trade in drugs is still trade” (Dermota 1999), and that is “sophisticated and highly flexible organization” that closely resemble modern multinational corporations (Flynn 1993).

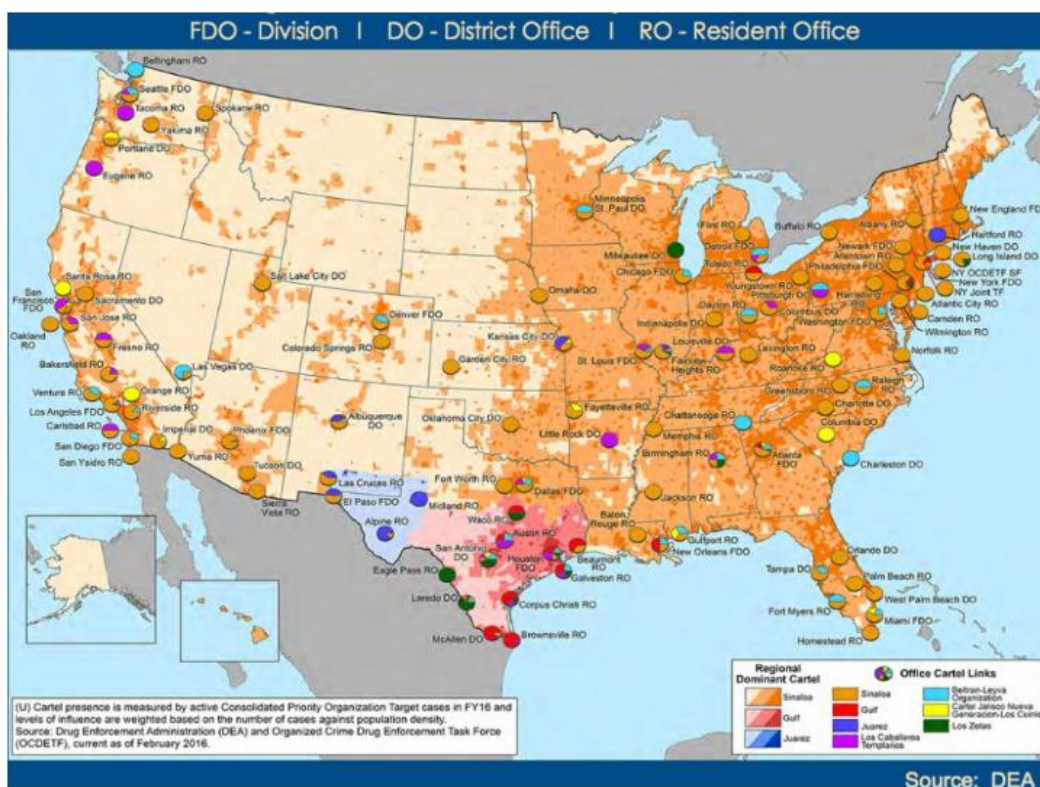
Some scholars disagree with this statement arguing instead that the Mexican cartels are disorganized when it comes to their business structure so that they act more like street offenders than like corporations (Decker and Chapman 2008). For instance, it is argued that Mexican cartels are composed of co-offending individuals who offend together but have no role distinctions or specializations (Decker and Chapman 2008). In the case of the Sinaloa Cartel, there is a group of people that is specializing in innovative ideas on how to produce and transport narcotics across borders without the detection from anti-narcotic authorities, manipulate social media to create a brand, collaborate at the Federal level with officers to cover or facilitate the transportation of drugs.

The Sinaloa Cartel is, for the most part, a business involved in the illegal drug trade. Since drugs are its core, it is commonly compared to the pharmaceutical industry because “[those in organized crime] make obscene amounts of money, as does [the pharmaceutical] industry.” However, the pharmaceutical industry is not the only legal corporation that the Sinaloa Cartel resembles, regarding the strategies used to expand its business. Thus, this paper uses different corporations to explain the Sinaloa Cartel’s development into the global drug empire it is today

Unlike street offenders who are not specialized or organized, the Sinaloa Cartel influence in the drug trade is a monopoly in the United States and Mexico. According to a map created by the DEA is shown in figure 3, in the United States, the Sinaloa Cartel has a majority influence, which earned El Chapo the title of “Chicago’s No.1 Enemy” before he was extradited to the United States in 2017 (*Wall Street Journal* 2017). According to 2016 statistics from Stratfor, El Chapo’s Sinaloa Cartel controls a substantial portion of the border between the United States and Mexico shown in figure 4, which means that key access points to traffic drugs into the United States depends on the Sinaloa cartel’s permission. Furthermore, the Sinaloa Cartel has extended

its reach to other continents such as Europe, Africa, Asia, and most importantly Central America where it has essentially offshored its supply chain because of how cheap it is for production and to buy security. In this sense, the Sinaloa Cartel resembles the United Fruit Company—an American legal corporation that sold tropical fruit such as bananas in early 20th century—because it too had expanded its production to Central America for its cheap production and low security. Furthermore, during its golden age, the United Fruit Company had been regarded as a monopoly over the trade of tropical goods compared to its competitors just like the Sinaloa Cartel is now.

Figure 3



Source: Drug Enforcement Administration²

² Woody, C. (2016, December 15). These maps show how Mexican cartels dominate the US drug market. Retrieved June 4, 2017, from <http://www.businessinsider.com/dea-maps-of-mexican-cartels-in-the-us-2016-12>

Figure 4



Source: Stratfor³

That said, Sinaloa Cartel has formed its brand through the media making it one of the most well-known cartels in the world. In one documentary El Chapo as the “CEO of Crime” because of his ability to know what was going on in areas he influences over even when he was not physically present (*El Chapo: CEO of Crime* 2015). This is similar to a corporate manager who is making sure that his area of operation is effectively organized to facilitate

³ “The Geography of Mexican Drug Cartels.” 2016, January 25.
<https://worldview.stratfor.com/image/geography-mexican-drug-cartels>.

the business. Furthermore, the Sinaloa Cartel is also known to have a sense of corporate responsibility for the population in which it works by providing jobs and protection to the population it has influence over. Its service is so effective that when he was captured in 2012 people from Culiacan came to the streets in protest against his arrest stating that “El Chapo escaped. He is the best of all...He was the most famous, but now he is even more famous” (*The New York Times* 2015). This was said even when El Chapo is held responsible for the deaths and threats of many journalists since he became the leader of the Sinaloa Cartel in 1990, and even when the government was offering \$3.8 million dollars for information that would lead to the capture of El Chapo (*The New York Times* 2015). In fact, in a *narco-corrido*—song ballad glorifying drug kingpins—El Chapo is glorified for this success as the leader of the Sinaloa Cartel.

“From his feet, up to his head
He is a little short in stature
But from his head up to the sky
Is how I calculate his height
Because he is a giant amongst giants.”⁴

This manipulation of information for the benefit of the business is something that the Sinaloa Cartel shares in common with the Brown and Williamson Tobacco Company because to avoid a drop in the sale of tobacco the company denied all claims that tobacco led to lung cancer and tried to defame the whistleblower—Dr. Jeffery Wigand—when he tried to go out with the truth (Bergman 2017).

⁴ Wainwright, T. (2016). *Narconomics: How to Run a Drug Cartel*

Another important characteristic of the Sinaloa Cartel is that it has been able to create important alliances among Mexico's federal authorities. For instance, there is evidence that when El Chapo was imprisoned in 1993 and 2014, he was still able to run the Sinaloa Cartel from jail via the relative protection of the prison; and live a comfortable life that included extra visiting hours, prostitutes, and modern appliances within the cell. Also, when he escaped in 2001 and 2015 respectively, he did so with hardly any obstruction. Some argue that this was probably due to the corrupt prison jails in which El Chapo was located, but others state that it was because the Sinaloa Cartel had allied itself to the Mexican government to remove eliminate other drug cartels. In exchange, the Sinaloa Cartel would help the federal government with removing political oppositions. Thus, the Sinaloa Cartel was able to continue expanding its business. In this way, the Sinaloa Cartel is very similar to the Browning Arms Company who along with the rest of the gun industry uses its lobbying power to have policies that benefit their company supported by the government. For instance, through the National Rifle Association (NRA) the Browning Arms Company intimidates members of congress (Lafayette 1995), just like the Sinaloa Cartel to secure its business.

Lastly, just like legal corporations, the Sinaloa Cartel has "regulators" that include the U.S. Drug Enforcement Agency (DEA), the military, the Mexican federal police, and the local Mexican police. These organizations monitor the activity of the Sinaloa Cartel similar to how regulating agencies in the legal corporate world monitor legal corporations and impose punishments if there is a breach in regulation. For instance, with the United Fruit Company anti-trust laws were created to reduce its monopolistic practices so that other tropical food corporations had a chance to compete in the market. The Brown and Williamson tobacco company was forced to expose the truth about the negative impact of

smoking tobacco and to pay states for lying to the public. As part of the tobacco industry the Browning Arms Company was forced to be more precautionary with regards to who they sold guns. Thus, like the Sinaloa Cartel as a drug cartel “easily match those of the world’s largest multinational corporations” (Naím 2012), and will serve as a framework to understand the Sinaloa Cartel’s tendency towards violence.

That said, along with similar business strategies the United Fruit Company, the Brown and Williamson’s tobacco company, and the Browning Arms Company at one point also lacked regulation. In the case of the United Fruit Company, they maneuvered around the anti-trust laws to maintain their offshore activities in Central America and their monopoly over the tropical fruit industry. In the case of Brown and Williamson’s tobacco industry despite mounting evidence against the tobacco industry regarding health concerns in the media, they were able to continue denying the health hazard related to tobacco. Finally, what is still the case for the Browning Arms Company is that the lack of control over the sale of guns that land in the hands of people like the Sinaloa Cartel. On that note, the current regulators—encompassing the DEA, and the Mexican Federal and municipal police—of the Sinaloa Cartel have not properly monitored the cartel because despite repeated attempts by law enforcements to reduce the power of drug cartels “...rather than halting the flow of drugs, [they have] merely altered the balance of power among cartel and opened a Pandora’s Box of violence” (Freeman, 2006). Its culmination is evident in Mexico’s current status as the second country to host one of the most lethal conflicts in the world.

This paper will argue that the Sinaloa Cartel acts like a corporation and that through this framework its tendency towards violence is due to the lack of regulation on drugs like

marijuana, cocaine, and heroine. For instance, the concept of the drug war is debated because it has been ineffective in its attempt to eliminate the drug cartels because as long as drugs like marijuana are illegal, drug trade organizations will continue to make profits.

The methodology of this paper included articles, documentaries, and academic journals to define what the Sinaloa Cartel is, and its similarities to legal corporations like the United Fruit Company, the Brown and Williamson Company, and the Browning Arms Company. As for the structure of the essay, in chapter one, the Sinaloa Cartel is compared to legal corporations; the United Fruit Company, the Gun Industry, and the Tobacco Industry in detail to demonstrate how the Sinaloa cartel is not a disorganized organization, but rather, a sophisticated business that is similar to corporations. In chapter two, the lack of regulations concerning the current drug prohibition is discussed as a mechanism to the Sinaloa Cartel's continuation in the highly profitable drug market. Finally, in chapter three the legalization of marijuana is proposed as a solution to the drug war to increase competition in the drug market, thereby tackling the Sinaloa Cartel as a corporation.

CHAPTER 1: SINALOA CARTEL LIKE A CORPORATION

The Sinaloa Cartel acts like legal corporations. That said, the United Fruit Company, the Brown and Williamson Company, and the Browning Arms Company are compared to the Sinaloa Cartel because of their particular development in the following areas: offshoring their production, working with their home government, and using the media to maintain their power status; respectively.

OFFSHORING PRODUCTION

The core of the United Fruit's business were tropical foods, and its specialty was the banana market. Even though the United Fruit Company was an American company in the 20th century, it understood the benefits of this system, which allowed it to become “a truly multinational modern cooperation, spreading the spirit of capitalism” (Chapman, 2007) when it was at its peak. Furthermore, the United Fruit Company is recognized by Peter Chapman the author of *Bananas: How the United Fruit Company Shaped the World* to be the predecessor of what William I. Robinson—a professor of sociology in at the University of California—calls Global Capitalism. According to Robinson Global Capitalism is the system of today that consists of “...transnational circuits of production and trade, in which manufacturing takes place across nations rather than within them” (Paley 2014). The Sinaloa Cartel followed in the same foot steps to expand its influence in the drug industry.

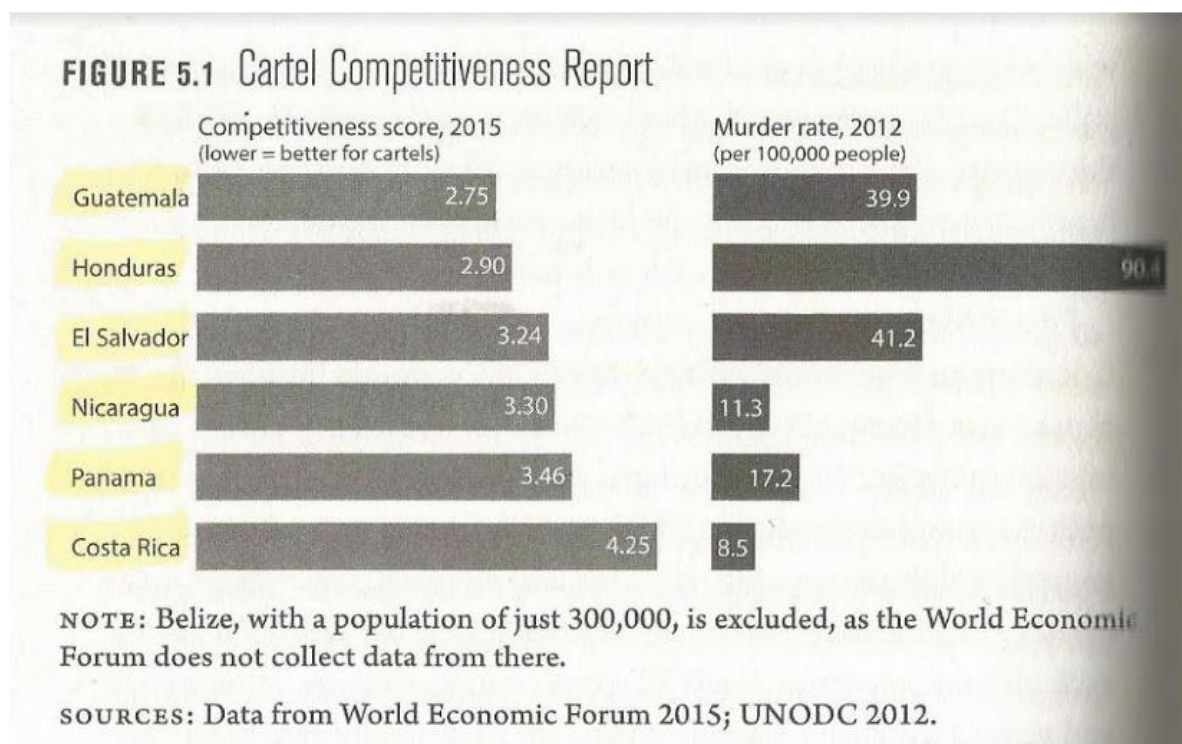
Before the United Fruit company changed its name to Chiquita Brands International Incorporated⁵, it had had a brooding presence in Central America. The company had banana

⁵ Bucheli and Read created a chronology of events for the United Fruit Company at <http://unitedfruit.org/>

plantations in Costa Rica, Panama, Colombia, Cuba, Jamaica, Dominican Republic, Honduras, and Guatemala (Chapman 2007). The company chose these countries because they could produce enormous amounts of bananas at a lower price. Similarly, the Sinaloa Cartel invested in countries like Honduras and Guatemala to reduce its transaction costs.

In his book, *Narconomics* Tom Wainwright created a report that compares the characteristics that legal corporations look for when sending production offshore with that of cartels (Wainwright 2016). He states that legal corporations that seek to expand offshore—in effect considered multinational corporations—depend on the World Economic Forum’s (WEF) Global Competitiveness Report to decide where it is most convenient for them and that cartels

Figure 5



Source: Tom Wainwright’s *Narconomics*

can use the same report but flipped. In other words, the report rates measurements like diversion

of public funds, trust in politicians, bribery, judicial independence, favoritism in decision by government, business cost of crime and violence, presence of organized crime, reliability of the police, and ethical behaviors of firms in each country; and Wainwright argues that this same list can be used to inform drug cartels in which countries these measurements are rated the lowest so that they can establish their production ports there. Wainwright calls this makeshift report the “Cartel Competitiveness Report” using the WEF’s data shown in Figure 5, that points out countries whose murder rates make it “easiest for gangs to do business” (Wainwright 2016). Therefore, the Sinaloa Cartel is strategic about where it offshores its drug production, and in that way, it resembles legal corporations like the United Fruit Company.

In both the United Fruit Company and the Sinaloa Cartel their influence was extended through offshoring the production of their product to other countries. The United Fruit Company’s perception to use offshore resource made it possible for them to have influence “from Atlantic to Pacific its reach was everywhere and... [their outreach made it impossible for them to] shake off the image of El Pulpo” (Chapman 2007). Similarly, the Sinaloa Cartel has also reached out to many countries in Central America. And used them to produce illegal drugs at a cheaper rate. Therefore, even though the Sinaloa Cartel and the United Fruit Company are from two different time periods and operated in two different markets, they both contributed to today’s Global Capitalism.

SOCIAL MEDIA AND POWER STATUS

The Brown and Williamson Company is part of the tobacco industry in the United States, and it is one of the oldest companies that used social media to control and maintain its reputation. In fact, in the early 20th century the Brown and Williamson company along with others in the

tobacco industry used the services of Edwards Bernays—also known as the Father of Public Relations—to expand the group of people who consumed tobacco and protect their image. He was the same person who helped the United Fruit Company rid itself of the nickname “El Pulpo” several years later as it had negative connotations attached to it from Central America. Although the Sinaloa Cartel cannot include Edward Bernays to its payroll, it can apply the strategies that Bernays used to manipulate the opinions of the masses. Two propaganda strategies that the Brown and Williamson company used are presented below and then compared to what the Sinaloa Cartel has done.

One of the things that benefited the Brown and Williamson Company and that propaganda facilitated was the expansion of their consumer base. For instance, in the 1920’s when women had just achieved voter status, Bernays through propaganda linked cigarettes with a “rising sense of women’s confidence and liberation” (Chapman 2007) and nicknamed the cigarette itself “lights of freedom” (Chapman 2007). The message was extremely successful in incorporating women into the group of people who smoked cigarettes. The Sinaloa Cartel profited from a similar strategy with the younger audience, although it did not directly invest in it. For instance, organizations like Hollywood created “peer pressure [that] push vulnerable young people to become drug users [because of the media]...Portrays drug as luxury goods consumed by wealthy Americans” in undeveloped and emerging developing countries (Flynn 1993). In another example, the Sinaloa Cartel has invested in narco-corridos—ballads created to glorify the drug cartels—that have expanded their fame. For instance, Sinaloa approved of *Movimiento Alterado* or Altered Movement a band with “explicit lyrics about decapitations and torture and praise for the Sinaloa Cartel” (*Huffington Post* 2011). Although in parts of Mexico this music has been banned for glorifying the cartels, in the United States it has gained

momentum. The songs from the Altered movement was watched 13 million times on YouTube and won the Grammy award in 2008 (*Huffington Post* 2011). This sort of fame creates a distance between the romanticized ideal of the Sinaloa Cartel and its violent existence, but it also gains it indirect support for the very business that is condemned legal authorities.

Another area where the Brown and Williamson Company benefited from was to protect their image. In an attempt to counter scientific reports that argued that tobacco was bad for the human health, the Brown and Williamson Company, along with other companies in the tobacco industry, shared scientific reports with the public that proved the opposite⁶.

In the case of the Sinaloa Cartel, “the media has become a weapon in the war between drug trafficking organizations” (Freeman 2006) by minimizing the knowledge of their weaknesses, avoid calling attention to their strengths, and turning public opinion against rival groups (Freeman 2006). For instance, when the Sinaloa Cartel and the Gulf Cartel started fighting against each other for Nuevo Laredo—one of the most prominent drug routes at the border with Texas—in 2006, Edgar “La Barbie” Valdez the leader of the Sinaloa Cartel’s armed force paid an ad in Mexico City stating that Los Zetas—the armed force of the Gulf Cartel—were “narco-kidnapers and murdered of women and children” (Freeman 2006).

The Sinaloa Cartel has also intentionally used its power to intimidate the media to create fear among those who want to destroy their industry. The Sinaloa Cartel has a strong grip over the newspaper so much so that journalists are terrified because they do not know if their colleagues are on the payroll of the drug traffickers, or to post the reasons behind why and how someone died by the hands of a drug cartel (Freeman 2006). The Public Radio International (PRI), a non-profit media company focused on journalism, stated that in 2012 “...more than 80

⁶ Bero, Lisa. 2005. “Public Health Chronicles: Tobacco Industry Manipulation of Research,”.

journalists have been shot, stabbed, bludgeoned to death or decapitated since 2006” (Grillo 2011) in Mexico City one of the areas under pressure by the Sinaloa Cartel. In Ciudad Juárez—for a long period dubbed as the most dangerous city in the world” (Bero 2005)—wrote to the Sinaloa Cartel, Juárez Cartel, and the Zetas the following message: “Señores. We want you to know that we are communicators, not mind readers. We do not want more deaths. It is impossible to carry out our role in these conditions. Tell us therefore what is expected of us” (Flannery 2013).

For the Brown and Williamson Company and the Sinaloa Cartel used social media as a vehicle to manipulate the organized habits and opinions of the masses—also referred to as propaganda. The strategy, as described by Chapman, is an “unseen mechanism of society and those that made use of it were an ‘invisible government’ and the ‘true ruling power’” (Chapman 2007). The statement is bold, and in the case of the Brown and Williamson Company and the Sinaloa Cartel, it is true. Both organizations used the media to create a desirable image among young people so that they were more likely to consume their product, and they used social media to protect their reputation. In this age of technology where ideas can connect to people instantaneously, the art of propaganda is essential for corporations to prosper. Therefore, since the Sinaloa Cartel uses these strategies, it resembles a corporation.

WORKING WITH THE HOME GOVERNMENT

The Browning and Arms Company is part of the gun industry, and it has used the National Rifle Association (NRA) to lobby for its interest in the U.S. government. For instance, Ronald Reagan came close to abolishing the only federal gun control agency available at the time, namely the Bureau of Alcohol, Tobacco, and Firearms (ATF) because the gun industries had funded his presidential campaign (Lagayette 1995). The ability of the Browning and Arms

company to influence the U.S. Government through NFA lobbying is a mutually beneficial tactic for the industries interests. On the one hand, the Browning and Arms Company can try to influence the government for regulations that benefit them. On the other hand, politicians are backed up by these organizations when they run for office.

In the case of the Sinaloa Cartel, the Mexican government has been accused of working with the drug cartel. In fact, Mexican journalist Anabel Hernandez (Grillo 2011) stated in an interview that she had documented proof revealing that ex-presidents Vicente Fox and Felipe Calderon had allied themselves with El Chapo and that the “the war on drug trafficking was never real” that the only intention was to “protect the Sinaloa Cartel and attack others.” Furthermore, politicians are accused of working with the Sinaloa Cartel to ensure their position in office. In the Mexican film, *La perfecta dicta dura*, political satire is used to portray the relationship between a Mexican politician and a criminal group who protects the Mexican politician’s political interests by eliminating any political opposition.

The previous examples demonstrate strategies that are essential for today’s multinational corporations and shows the resemblance that they have with the Sinaloa Cartel. Although, the Sinaloa Cartel is an illegal entity it is not barred from participating in the international arena. If anything, its illegality makes it all that more profitable, and dangerous, because it lacks regulation on its core products—drugs. Even legal corporations like the ones previously mentioned have had events where they lacked regulation, and that had a negative impact on how they did business, until, they were regulated. The Sinaloa Cartel is currently going through a similar situation as will be explained in the next chapter.

CHAPTER 2: LACK OF REGULATION

The Sinaloa Cartel acts like the legal corporations, but it lacks regulation in the drug industry. Since the Sinaloa Cartel works with illegal drugs, there are no legal standards that the Sinaloa Cartel has to abide by, which frees the cartel to work in the drug industry under its terms. For instance, it does not have to pay taxes to the country where it produces, distributes, and sells illegal drugs because those activities are illegal. Other drug cartels in Mexico think along the same lines, which is why new drug cartels have appeared in the country since the initial Guadalajara Cartel was fragmented in 1990 (Beittel 2017). The drawback of working under the illegal drug market is that drug cartels cannot rely on the legal court system to resolve its difference with competitors and with journalists who want to discredit them. Therefore, the Sinaloa Cartel relies on violence to control, maintain, and expand its business.

The lack of regulation induces the Sinaloa Cartel to use violence to continue participating in the illegal drug industry, but illegal industries are not the only ones induced to violence when there is a lack of regulation. Legal corporations like the United Fruit Company, the Brown and Williamson Company, and the Browning Arms Company had also used violence when they lacked regulation. The following are areas in which each of the legal corporations lacked regulation, used violence, and then stopped using violence when regulations were imposed on them.

THE UNITED FRUIT COMPANY

In the United Fruit Company took advantage of its monopoly over the legal banana market to politically, socially, and economically impose its will in Central America. The

company's power over Central America was so overwhelming that Central America was termed the "banana republics"—in which inhuman wars and dictatorships occurred, while at the same time implicitly disparaging the inhabitants for succumbing to the injustices that were forced on them (Chapman, 2007). The countries who were most impacted by the United Fruit Company's control were Honduras and Guatemala. Although there were other countries like El Salvador and Nicaragua, Guatemala and Honduras endured the most violence, so that the United Fruit Company could protect its interests. In fact, given the disastrous outcomes that Central America experienced under the control of the United Fruit Company, the company was coined the evil "El Pulpo", or in English the evil octopus, because of its extensive reach and dominion over the Central American area in political, social, and economical matters (Chapman 2007).

To profit from this scheme, both the United Fruit Company and the Sinaloa Cartel had to use violence. In the 21st century, the Sinaloa Cartel also used parts of Central America—particularly Honduras and Guatemala—to expand its business in the 21st century. Also, just like the United Fruit Company, it has also been a key player in the increase of violence that has left the citizens of Honduras and Guatemala in turmoil. Through violence, they were able to maintain control over the populations that inhabited the territory they needed for the production of their products. Therefore, in the case of the United Fruit Company just like the Sinaloa Cartel, both corporations invested in countries where all the previous categories mentioned bribery, mistrust of politicians, and the business cost of crime and violence were the highest because it demonstrates the governments lack control over the country's security. Not surprisingly the countries that rank the highest for the Cartel Competitiveness Report are in Central America with Guatemala and Honduras at the top. Although Colombia is not included, it too has proven to be

fertile land for drug cartels—the Medellin Cartel is proof of that. Therefore, under this measurement, it is easier to see how the Sinaloa Cartel as an illegal corporation is following the footsteps of the United Fruit Corporation—a legal corporation—and how that has led to violence. On that note, the following case studies to explain how the United Fruit Company treated Honduras and Guatemala while there was a lack of regulation over its monopolistic practices in Central America.

Case Study 1 of Offshoring: Honduras

Honduras is one example where the United Fruit Company interfered with Honduras and in so doing so brought violence. In 1911, Sam Zumurray—one of the managers of the United Fruit Company—bought a boat “filled it with assorted mercenaries and crooks and overthrew the U.S. supported Honduran government” (Chapman, 2007) to re-establish General Manuel Bonilla. Bonilla had been overthrown because documents linking him with bribes from foreign entrepreneurs were discovered—among them were those of the United Fruit Company. Despite the evidence, the United Fruit Company was determined to get Bonilla back in office because the Honduran government supported by the U.S. would not give Zumurray a \$200,000 tax concession so that he could clear more jungle space to plant more bananas. Upon Murray's victory, he was put in charge of the country's finances and gave United Fruit Company two more pieces of land: Tela and Trujillo. The second instance occurred in the 1970's when Eli Black—the then CEO of the United Fruit Company—was caught Honduras's president Oswaldo Lopez Arellano “with \$1.25 million to encourage him to pull out of the banana cartel which opposed United Fruit” (Chapman, 2007). In both instances, the United Fruit Company used bribery to impose their way in Honduras, and in the first instance when the company had more power it

contracted mercenaries and crooks who used violence to get their way. Similar to the United Fruit Company, the Sinaloa Cartel is very protective of its territories, and it does not hesitate to use violence to maintain control over them.

Case Study 2 of Offshoring: Guatemala

In 1910, workers from Guatemala came out to protest the low prices that the United Fruit Corporation had imposed on them, so the corporation called on the local military to settle the workers down. In another instance, the United Fruit Corporation changed the way that they paid their workers from a day-rate of \$1.25 each to 0.25 cents for every 100 bananas stems that were carried. When the people protested, once again the United Fruit Corporation appealed to the local military to have the workers settle down by force. In the most drastic of these military requests, the United Fruit Corporation confronted a strike in which they were being required by the people of Guatemala to end their monopoly over the railways and ports—that at the time the corporation owned—and the reaction was to end the revolt through “gunboat diplomacy”—where a boat filled with soldiers arrived at Guatemala City and used military force to end the revolt. (Chapman, 2007).

Still, the event that signified the power that the United Fruit Company had over Guatemala came in 1944 with president Colonel Jacob Arbenz. When Arbenz came into power, he wanted to “improve the conditions of Guatemala’s Mayan population” because he saw the conditions that they were submitted to by the United Fruit Corporation. This was something that the corporation was not willing to go through with, so with the help of the Central Intelligence Agency (C.I.A), Arbenz was overthrown. When this happened “decades of military dictatorships during which scores, if not hundredths of thousands of people died as death squads killed or

disappeared anyone [who was] regarded as politically dangerous” (Chapman, 2007). All the while the United Fruit Company was satisfied with the coup because “in losing some of its lands it had been subjected to an act of virtual expropriation” and that was not going to happen regardless of how much violence that brought to the people of Guatemala.

The United Fruit Company continued to manipulate and submerge Central America into violence until it lost vast amounts of plantations due to a banana plant disease called black Sigatoka, and Hurricane Fifi devastated Honduras’s plantations (Chapman 2007). Also, after monitoring the United Fruit Company, Wall Street “suggested that illicit trading had been involved” (Chapman 2007) and that triggered a full-on investigation that led to the end of the United Fruit Company.

THE BROWN AND WILLIAMSON COMPANY

The Brown and Williamson Company took advantage of its corporate power to withhold information from the public that was vital with regards to health choices and instead used the media to exalt themselves. In 1996 Dr. Jeffery Wigand had in an interview with a CBS news branch known as ‘60-minutes’⁷ to discuss the illegal activity going on behind closed doors at the Brown and Williamson Tabaco company. He had originally been hired by the company to find a way to reduce the hazards associated with cigarettes, but he realized that the company was unwilling to let the public (or the United States government for that matter)⁸ know that cigarettes produced health problems like addiction and cancer. In fact, he confirmed that Brown and Williamson had known that cigarettes contained additives that were prone to disease and that nicotine—the substance inside the cigarette wrapper—was an addictive drug. Furthermore, he

⁷ Classifeldman. (2016, February 4). 60 Minutes’ most famous Whistleblower.

⁸ Hilts, P.J. (1994, April 15). Tobacco Chiefs Say Cigarettes Aren’t Addictive.

stated that the company had been using ammonia, referred to as “impact busting” in the company, to enhance how quickly nicotine was absorbed by the lungs, then into the brain, and finally to the nervous system. Also, Wigand discovered that the additive, Glycerol, used to keep the paper and nicotine moist was an ingredient that caused harm to the lungs. Inevitably, due to these dangerous parts of the product, of the 15 million users estimated to smoke approximately 435,000 people died from taking tobacco into their system, unaware of its threatening side effects.

Initially, Wigand did not speak up about his findings because he was bribed to stay silent via a compensation packet that he needed to cost for one his daughter's medical needs. Still, he did not stay silent, and soon after he spoke to the Food Department Agency (FDA) he received various phone calls threatening him and his family. The calls were tied to the tobacco industry because in one of the calls the individual stated, “leave the tobacco industry alone or you will find your kids hurt. They are pretty girls now” (Bergman 2017). Threats like those were enough to instill fear in Wigand who started wearing a hand-gun to protect himself and also induced him to get body guards. If that were not enough, even after revealing these events to ‘60 Minutes’, CBS did not allow ‘60 Minutes’ to air their interview with Dr. Jeffery Wigand because they were worried that Brown and Williamson would lead a multibillion lawsuit against the news channel for “inducing Wigand to break a confidentiality contract” that Wigand had signed with the company before he was fired. Although ‘60 Minutes’ did eventually air the interview, Wigand was vehemently persecuted by Brown and Williamson, to shatter his public reputation (Bergman 2017). The company had hired private investigators, lawyers, and consultants to accumulate information on Wigand that portrayed him as a liar and they nearly succeeded in his destruction. Therefore, although Wigand did not suffer physical violence at the hands of Brown and

Williamson, he was subjected to violence under the definition of the World Health Organization via the intentional use of power that the Tabaco industry imposed on the media to discredit him and the CBS news branch '60 minutes'. (Bergman 2017).

When the news broke out that the Williamson and Brown Company had distorted information it was forced to settle the Tobacco Master Settlement Agreement (MSA)—in which states were paid tobacco-related health-care costs—as retribution for misleading the public. This regulation forced the company to be more transparent over the product it supplied.

THE BROWNING AND ARMS COMPANY

In the case of the Browning Arms Company under the umbrella of the National Rifle Association (NRA), the gun industry had a firm grip of the United States Congress, and the results of laws passed in favor of the gun industry have led to violent outcomes in various cities throughout the United States. In 1995, the Brady Bill⁹ was passed by both the U.S. House and Senate and signed off by President Bill Clinton. According to Pierre Lafayette's *Lethal Lobby: The National Rifle Association* this was a historic moment because at that point every member of Congress had learned to fear the gun industry's lobbying as an "organization that combines the popular weight of over 3 million members with the financial strength of a corporation, valued at nearly \$100 million" (Lagayette 1995). In fact, the lobby was known to impose intimidation tactics that were so effective that "newly elected congressman was convinced not to cross the [National Rifle Association] NRA and avoid to vote with the group if they intended to seek re-election." For instance, when Michael Dukakis ran for president in 1988 he stated that he was not

⁹ The Brady Bill required "state and local law enforcement officials to perform background checks during the five-day waiting period" on an individual looking to purchase a gun.

in favor of the gun industry, so the gun industry launched a \$7million drive against his campaign that partly injured his probabilities for election.

By 2000, the NRA's influence was best described by Brian J Siebel's *The Case Against the Gun Industry* where he states that the regulation of the gun industries is difficult due to its heavy lobbying via the National Rifle Association (NRF). These organizations have prohibited law enforcement from a) limiting the number of federal agents that can oversee the industry's sales on the primary market¹⁰ b) there are congressional restrictions on computerized records, and c) there are broad legal loopholes that make convictions difficult to secure. In effect, law enforcement is unable to keep track of guns that are sold legally from licensed sellers to licensed buyers because of these restrictions, and as Siebel puts it, the gun industry benefits from this lax regulation because it reaps huge profits from guns channeled to criminals given the lax regulations. Therefore, according to Siebel, the gun industry takes advantage of the weaknesses of the law to market guns to criminals and juveniles. Also, the public is expected to pay for the gun industries reluctance to apply safety devices on their guns, and some of those expenses include money for police investigations, emergency rescue services, jails and prisons, youth intervention programs, etc. All the while, gun industries argue that they are not to blame for the choices that their customers make, thus, insinuating that there is nothing that the gun industries can do to prevent the tragedies that occur or the expenses that are a byproduct of the industries resistance to including safety mechanisms on the guns.

There was a lot of backlash among states with high levels of violence, so in 2003 new regulations were imposed on the drug industry as a whole. The new regulations demanded that

¹⁰ The buying and selling of arms legally.

the gun industry mark where its guns were sold as a way to track them, and not sell them freely. There is a lot more work that has to go into the drug industry, but at least guns are tracked.

As the previous three legal corporations showed, when there are no regulations there is a leeway for violence to erupt among corporations, and the Sinaloa Cartel is no different. The Sinaloa Cartel depends on the illegal drug industry, and since the industry is illegal, it lacks regulation. The lack of regulation produces lucrative profits for the Sinaloa Cartel, so it is willing to engage in violent confrontations with other drug cartels to keep its drug routes in Mexico. The following are issues that arise from the lack of regulation surrounding the drug industry.

LACK OF REGULATION IN THE SINALOA CARTEL'S DRUG INDUSTRY

It has been three decades since the Sinaloa Cartel formed, and instead of collapsing, the cartel has created a monopoly of marijuana, heroin, and cocaine in virtually almost every state in the United States (as it is shown in figure 2), and an overwhelming influence at the border between the United States and Mexico (shown in figure 3). In comparison to when the Guadalajara Cartel fragmented in the 1990's the Sinaloa Cartel only had access in Sinaloa, "to the north of Sonora...and control over the smuggling corridor of Tecate" (Beith 2010). Also, El Chapo was confined to sell his drugs in Arizona and parts of California (Beith 2010) because that had been the cartel's previous function under Miguel Angel Felix Gallardo—El Padrino—the original leader of Mexico's cartels. Two decades later the Sinaloa Cartel's successful expansion with regards to its influence in the drug market—particularly in the United States—demand the question of whether the current regulations under which the drug war functions are the proper regulation.

Supporters of anti-narcotic efforts claim that drugs lead to other detrimental habits like alcohol and smoking, but the truth is that it is the other way around. For instance, an article in the *Journal of Drug Policy* indicated that “young people who smoke cigarettes are significantly more likely to use illegal drugs than those who do not,” in fact, nine times more likely. That said, those who are heavy drinkers are even more likely to consume illegal drugs.

As for drug addiction, Dr. Carl Hart stated that what is devastating communities is not drug addiction, but rather “...poverty, drug policy, lack of jobs...And drugs were just one component that did not contribute as much,” and that out of the 80 – 90 percent of addicts, 80 – 90 percent did not become addicts of substances like heroin and cocaine (Goodman 2014; Mares 2006). Also, Dr. Carl Hart concludes that if people are provided alternatives like jobs, then they are less likely to overindulge in drugs (Goodman 2014). If this is the case, then the association between drug consumption and violence is weakened because the logic is that due to their addiction drug addicts indulge in criminal activities to maintain their way of life. However, Dr. Carl Hart’s findings demonstrate that that is a small percentage of the population that consumes drugs, and even then, if they are offered job opportunities they are less likely to indulge in drugs.

That said, Dr. Carl Hart mentions drug policy as one of the key reasons why communities are struggling with violence. This is the case in the United States as much as it is in Mexico where cartels like the Sinaloa Cartel roam take advantage of the prohibition to provide jobs that pay better than legitimate jobs do. In fact, in an interview with Sean Dunegan—a former Drug Enforcement Agent—he stated that “Our policy of prohibition...incentivizes violence to a tremendous degree, so we wouldn’t be surprised when someone rises to the top and commits 2,000 murders to get there” if we want people to “stop terrorizing Mexico we need to stop our policies” (Paley 2014).

At the same time, there has been an increase in the budget for anti-narcotic agencies from \$75 million to \$2 billion¹¹ there has also been an increase in a number of drug users. In fact, in a 2008 report by the DEA states “in 1960, only four million Americans have ever tried drugs. Currently, that number has risen to 74 million”¹². Furthermore, in 2013 the DEA stated that “80 percent of heroin, cocaine, marijuana, and methamphetamine...Floods Chicago region” (Woody 2017) each year is provided by the Sinaloa Cartel. Chicago is a great predictor of the Sinaloa Cartel’s status in the United States because the city is strategically important for transportation. Finally, when it comes to the conviction of those detained for drug trafficking charges in Mexico between 2006-2011 was a total of 122 out of 3,439 cases (Geoffrey 2012). This means that the prohibition of drugs, rather than reducing the number of drugs consumed it has seen a rise in consumption. Also, the Sinaloa Cartel has increased its share of drugs coming into the United States. All the while, expenditure on anti-narcotics agencies like the DEA have increased exponentially. Therefore, current policies that “in the ordinary business world would be discarded for their ineffectiveness have been allowed to endure for years in the world of counter-narcotics” (Wainwright 2016). It is the previous president of Guatemala—Otto Perez Molina—summed it up when he explained why he preferred the legalization of all drugs. He stated, “Twenty years ago, I was director of the intelligence of Guatemala...We had great success. A lot of cocaine was captured. Plantations of marijuana were destroyed. Also at the time, many drug trafficking bosses were captured. Twenty years later, I assume the presidency of [Guatemala]—and find that the drug trafficking organizations are bigger... [In fact] today more people are dying in Central

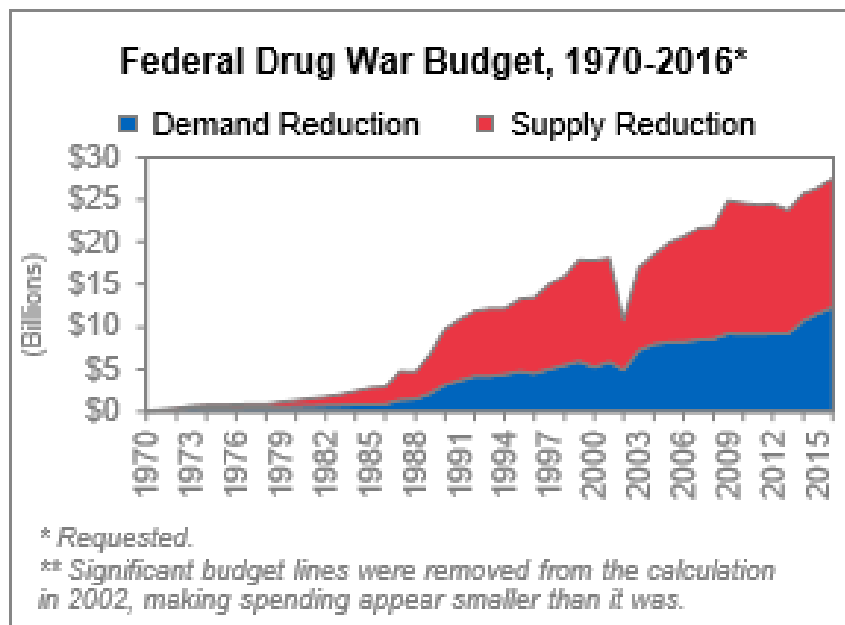
¹¹ Drug Enforcement Administration, “DEA History”.

¹² Drug Enforcement Administration, “A Tradition of Excellence: 1970 – 1975”.

America through drug trafficking, and the violence in generates than are dying in the United States through the consumption of drugs”(Wainwright 2016).

The irony hidden in the speech of Guatemala’s ex-president is that billions of dollars have been invested in counter narcotic efforts in Mexico and the United States precisely to end the violence associated with the drug cartels. Since before Miguel Angel Felix Gallardo—the leader of the first drug cartel in Mexico—was captured in 1989, and the

Figure 6



Supply reduction = interdiction, eradication & law enforcement

Demand reduction = education, prevention & treatment.

Source: ONDCP; Sourcebook of Criminal Justice Statistics.⁶

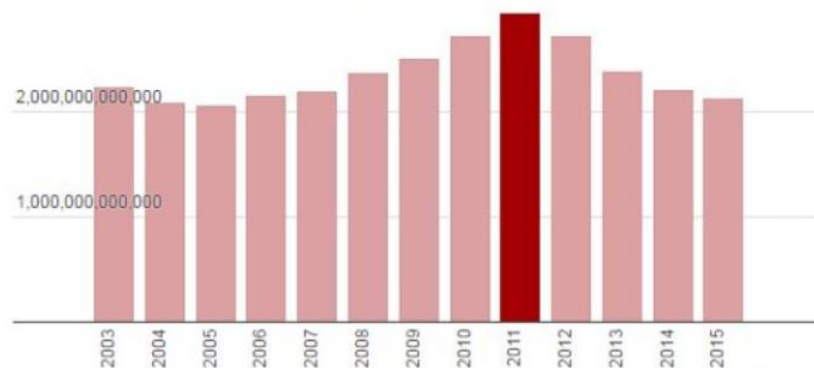
Sinaloa Cartel was born under El Chapo financial efforts to eradicate drug plantations, interdict drugs at the border, and law enforcement to incarcerate those is possession of the drug has grown exponentially (shown in figure 6). Mexico’s expenses run parallel to that of the United States and have even gone overboard. For instance, in 2013 the cost of fighting the drug cartels rose to almost \$172.7 billion, which at the time was more than twice Mexico’s debt (Estevez 2014). Similarly, Mexico’s drug war expenditure is almost identical

interest to that of the United States with regards to eradicating drug plantations and law enforcement. For instance, from 1975 – 1976 the United States contributed \$1 for every \$4 that the Mexican government spent to eradicate drugs (Toro 1995). Despite this massive expenditure with a concentration on the supply side of drug market violence continues to persist (as shown in figure 1), and recently it is getting worse. In fact, as shown in figure 7, the violence that has erupted in relation to the prohibition of drugs has cost the Mexican public trillions of dollars, and it is assumed that the costs are increasing based on the 2016 report from the International Institute for Strategic Studies where Mexico was given second place—after Syria—for housing the world’s most lethal conflicts.

Figure 7

The Economic Impact of Violence In Mexico, 2003-2015

This chart shows, in billions of pesos, the cost of violence in Mexico over a 12-year period that includes outbreaks of violence due to the drug war. The costliest year was 2011, when the cost of violence was calculated at 2.92 trillion pesos (C\$213 billion).



Source: Huffington post¹³

There is a lack of regulation in the Sinaloa Cartel’s drug industry, and it is the main reason why the illegal drug market continues to be the financial power house of the Sinaloa Cartel. That said, in his book *Narconomics*, Tom Wainwright also argues that drug cartels like

¹³ Ferreras, Jessey. 2016. “Mexico’s Drug War Has Hurt the Economy Just like It Has Hurt People,” May 3. http://www.huffingtonpost.ca/2016/05/03/mexico-drug-war-economic-costs_n_9825538.html.

the Sinaloa Cartel are like corporations, and he defines four key mistakes currently occurring under the prohibition of drugs that benefit the Sinaloa Cartel as a business.

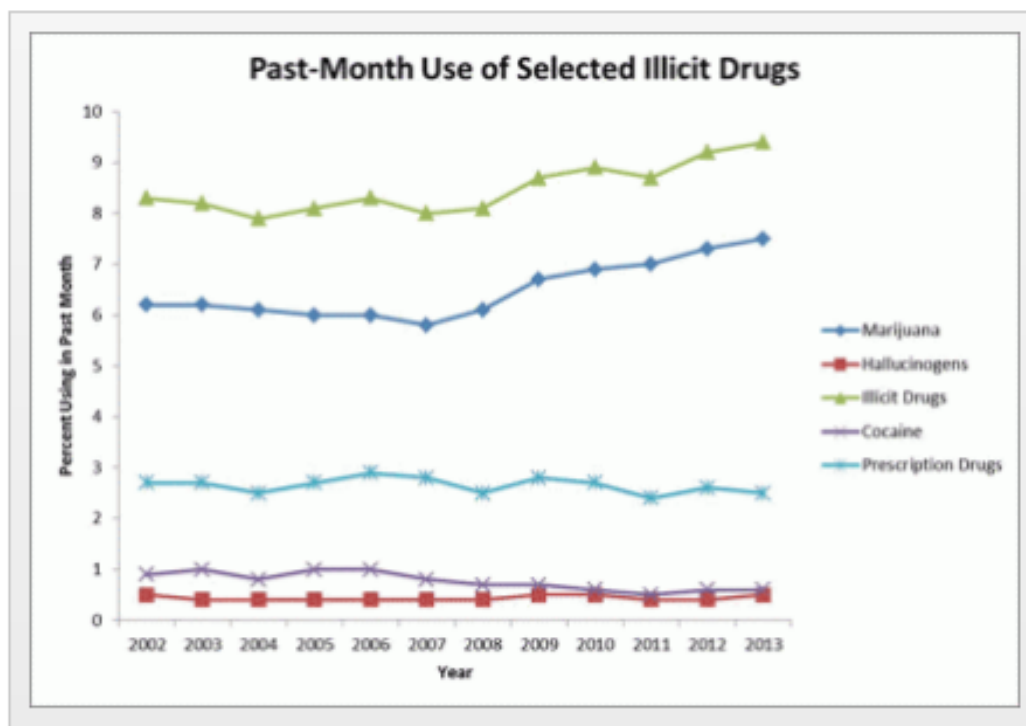
OBSESSION WITH THE SUPPLY SIDE OF THE BUSINESS

Since President Richard Nixon declared war on drugs, the main strategy has been to reduce the production of drugs by eradicating drug production. The logic goes as follows: if acres of drug plants are destroyed, then the cartels have to increase the prices on the drug to make up for what was lost during the plant eradication. The increase in drug prices would then force demand to go down because it would be too expensive (Wainwright 2016). In theory, this strategy should work. For instance, when the United Fruit Company was on the verge of increasing the price of the banana there was public outrage because it would make it too expensive for certain socio-economic groups to purchase them (Chapman 2007). However, with regards to illegal drugs that is not necessarily the case. For example, a survey conducted in the United States concluded that a 10-percent price increase in marijuana would only lead to a 3.3-percent drop in demand (Reuter 2010). The likelihood that another illegal drug is under the same situation is conceivable because the number of illegal drugs seized at the border between Mexico and the United States is a considerable amount (Castillo 2017). That is without taking into account the illegal narcotics that are not caught.

COUNTER NARCOTIC EFFORTS VS. PRESERVATIVE MEASUREMENTS

In figure 6¹⁴, the graph explicitly shows the gap preference between preventative measures and anti-narcotic efforts since the 1970's to 2016 in the United States. Again, the goal is to weaken the drug cartels to stop the supply of drugs even if there is no threat. For instance, in the small town of Keene, New Hampshire where from 1999 – 2012 only three homicides occurred the police department invested a total of \$286,000 on an armored personnel carrier known as BearCat (Wainwright 2016). However, figure 8 shows that the money spent to tackle the cartels has not reduced the consumption of illicit drugs like marijuana. In fact, the consumption of marijuana is increasing.

Figure 8



Source: National Institute of Drug Abuse¹⁵

¹⁴ “The Federal Drug Budget: New Rhetoric, Same Failed Drug War” 2015)

¹⁵ (“Drug Facts: Nationwide Trends,”)

On the other hand, educational programs and treatment for those who are in rehab or jail have fewer resources to reintegrate themselves into society. The problem is that “a handful of prisoners failing to learn to read or kick their drug addiction [end up] reoffending rather than finding work upon their release” (Wainwright 2016). Of course, it is understandable that the public is not interested in investing more money in people who are not productive, and the money for these programs does not magically appear. In other words, it is squeezed out of the system. However, in a study done by RAND, it was concluded that treatment was ten times more cost effective than enforcement¹⁶. Unfortunately, law enforcement continues to be the center of drug policy.

EFFORTS TO CONFRONT DRUG CARTELS AT A NATIONAL VS. GLOBAL LEVEL

The “cockroach effect” is what Wainwright calls the drug cartel’s ability to shift their drug production from one location to another. For instance, when the Medellin Cartel lost its power over the cocaine market in the 1990’s, the market shifted to Mexico. Then, when things started to heat up in Mexico, the drug production was shifted to Central America.

For instance, the Sinaloa Cartel used similar tactics as the United Fruit Company, albeit with more violence because of their illegal status. In 2011, Honduran authorities found “a large cocaine-processing laboratory, which they calculated had the capacity to turn 400 kilos of cocaine paste into pure cocaine powder every week” (Narconomics, 2016). The sheer number of drugs that were found demonstrates the sheer capacity of the Sinaloa Cartel in Honduras. In another example, El Chapo’s financial operator in Honduras—Daniel Lombardi “The Wizard”

¹⁶ “The Benefits and Costs of Drug Use Prevention,” RAND Corporation

was captured in 2016, and the assets that were frozen included “nine buildings, three commercial companies, several vehicles, and El Bosque vehicles tourism resort.” In part, this exposes the degree of the Sinaloa Cartel’s established power in the country, but it also raises the question of whether or not the Sinaloa Cartel was able to occupy these assets without any disturbances to the inhabitants of Honduras. As it turns out, there are disturbances because the Sinaloa Cartel is not the only cartel in Honduras. The Zetas—a more violent Mexican drug cartel—has also established itself in Honduras and it clashes with the Sinaloa Cartel for territory¹⁷ (Dudley, 2010). In fact, in 2008 the Zetas ambushed a pro-Sinaloa group that was at a festival where it left 60 dead (mostly members of the Zetas). The location was La Democracia, Huehuetenango considered by both the Sinaloa Cartel and the Zetas as a “critical juncture that provides easy access to the Gulf, the Pacific Ocean, and routes through the center of Mexico” (Dudley, 2010), and it is also where regular gun battles occur between the two cartels (Dudley, 2010). Setting the violent competitions aside, the Sinaloa Cartel has also engaged with the political authorities in Honduras. For instance, in 2010 the country’s drug tsar—Julian Aristides Gonzales—was shot dead by two hit-men presumably working for the Sinaloa Cartel¹⁸. The argument was that Gonzales was trying to close down landing strips that belonged to the Sinaloa Cartel, and that that is why the order was given out for his murder.

Another example is with Guatemala. Similar to the case of Honduras, in Guatemala, the Sinaloa Cartel has conflicted with the Zetas—another Mexican drug cartel—and wherever they clash there is violence. In fact, similar to the United Fruit Company, the Sinaloa Cartel has

¹⁷ Olson, E. L., Shirk, D. A., & Selee, A. (2010). Shared Responsibility: U.S.-MEXICO POLICY OPTIONS FOR CONFRONTING ORGANIZED CRIME

¹⁸ Miroff, N., & Booth, W. (2010, July 27). Mexican Drug Cartels Bring Violence with them in Move to Central America.

reached out to the particular families in Guatemala that are located near the Pacific route, to keep things under control. In this case, these families act as the local military because they are the ones that have maintained the peace in Guatemala¹⁹ (Espach, Quinones, Haering, and Giron, 2011). However, with the appearance of the Zetas places like Huehuetenango and Quiche have become important zones of conflict where violence and contestation continues. The conflict currently existing with the Zetas has left the disputed areas of Guatemala with multiple cadavers. Therefore, following similar steps like that of the United Fruit Company, the Sinaloa Cartel is striving to keep its territory through violent means.

In fact, in an interview that Wainwright had with a senior official in the northern part of Mexico, he stated, “The only thing you can do is push it elsewhere, and make it someone else’s problem” (Wainwright 2016). This undermines the whole purpose behind concentrated efforts in a particular area to eradicate the drug cartels because just like legal corporations, the Sinaloa Cartel can shift its production when conditions are not beneficial for its business.

The current policies under which the regulators of the Sinaloa Cartel are working under have not been effective in the long-run. That begs the question if this has not been able to work what is a better solution to reduce the violence associated with the Sinaloa Cartel? In the upcoming chapter, it will be argued that the legalization of marijuana worldwide will create healthy competition that could dent the Sinaloa Cartel’s power source, and reduce violence in Mexico.

¹⁹Espach, R., Quinones, J. M., Haering, D., & Castillo Hiron, M. (2011). Criminal Organizations and Illicit Trafficking in Guatemala’s Border Communities.

Chapter 3: Alternative Solution

Given that prohibition has not been effective, it is time to move towards a different strategy, but the question is; which path would be the most effective against a multinational corporation like the Sinaloa Cartel to reduce violence in Mexico. The following are four of the most prominent suggestions offered to tackle the Sinaloa Cartel as a corporation.

LAUNDERING MONEY

First, to intercept the Sinaloa Cartel's ability to move money. Similar to a multinational corporation, the Sinaloa Cartel has integrated itself with the financial sector to move money around the world. In the case of the Sinaloa Cartel, it engages in extensive money laundering activities. For instance, Wachovia Bank (now part of Wells Fargo) was caught helping the Sinaloa Cartel launder money through its banks when one of the cartel's planes was captured. The plane's purchase history was traced back to the bank and uncovered Wachovia Bank's illicit money laundering for the Sinaloa Cartel²⁰. Some critics argue that efforts against the drug cartels should focus on tackling the financial sector precisely to cut their ability to move money (Morris 2013). The attempt to cut the Sinaloa Cartel's ability to make money is logical because if the cartel cannot access, invest, and distribute their profits, then the business is not going to run.

The issue is that through this alternative two problems are attacked at the same time: the financial sector and the drug industry. The two sectors are intrinsically intertwined, but the financial sector does not work exclusively with illegal drug cartels, it also works with legal corporations. Therefore, concentrating on the financial sector would prove complicated because

there is no recognition of the role that illicit drugs provide. In other words, there would be no money to move if there was no market to profit from.

ALTERNATIVE WORK OPPORTUNITIES FOR FARMERS

The second alternative to counter the Sinaloa Cartel is to offer farmers who are inclined to cultivate illegal drugs like marijuana, programs to cultivate legal crops like corn. The goal through this program is to cut the drug cartel's drug production by reducing the workforce available for the cultivation of the narco-crops. By offering other farming opportunities, there are fewer people willing to cultivate illegal drugs and get involved with the drug trade organizations (Mares 2006).

However, this strategy does not take into account the fact that farmers in Mexico are inclined to cultivate drugs like marijuana, in part, because of the North American Free Trade Agreement (NAFTA). There was a saying in Mexico that without corn there is no country, but when NAFTA was enacted in 1994, it forced many Mexican farmers out of business because they had to compete with the United States' in farmed goods including corn. Unable to compete, many Mexican farmers started growing narco-crops such as marijuana and poppy (Wainwright 2016). In fact, in a study done by the Center for Global Development (CGD)—a research organization based in Washington, DC—found that "...a 59-percent drop in the price of corn led to an 8-percent increase in that of opium"²¹. That is not all. There are parts of Mexico in which the formal sector is out of reach. One of those places is El Chapo's home town Badiriguato,

²¹ Oeindrilla Dube, Omar Garcia-Ponce, and Kevin Thom, "From Maize to Haze: Agricultural Shocks and the Growth of the Mexican Drug Sector" Center for Global Development, 2014, at http://www.cgdev.org/sites/default/files/maize-haze-agricultural-shocks-growth-mexican-drug-sector_0.pdf.

Sinaloa where El Chapo stated, “....where I grew up there was no other way, and there still isn’t...A way to survive...No other way to work in our economy to be able to make a living” (Penn 2016). Therefore, the opportunity to cultivate legal crops deviates the attention of the Mexican government from the drug market to its domestic labor problem.

DECRIMINALIZING MARIJUANA

The third alternative to combat the Sinaloa Cartel’s corporate-like business is about decriminalizing marijuana. Through this path, the consequences of being in possession of or consuming a certain quantity of marijuana are greatly reduced. For instance, Paraguay reduced the number of people who were sent to jail from “44-percent in 1999 to 21-percent in 2012”²². The reduction of people going to jail helps reduce the pool of recruitment for drug cartels like the Sinaloa Cartel, which minimizes the amount of money that is spent on the prison system.

However, this path only goes half-way. Since marijuana is not taxed, then revenues are still being gained by drug cartels like the Sinaloa Cartel. Thus, there is no competition. Furthermore, there are no standards in which marijuana is measured by which means that it can still cause health problems that can be prevented. That said if any government is willing to reduce the criminality associated with marijuana it is more effective just to legalize narcotics industry, which defines the fourth alternative—the legalization of marijuana.

²² Baer, Drake. 2016. “6 Incredible Things That Happened When Portugal Decriminalized All Drugs,” April 26.

LEGALIZATION OF MARIJUANA

Unlike the previously offered alternatives to combat the Sinaloa Cartel's corporate-like business, the legalization of marijuana provides an adequate solution to the problems posed by Tom Wainwright, in Chapter 2, that are occurring under the prohibition of drugs.

Recognition of the Demand Side of the Business

The rhetoric around the supply side of the drug business emphasizes that the people who cultivate, transport, and sell the drugs are business criminals; but it is important to recognize that there would be no business if there were no demand. In his interview with Shaun Penn, El Chapo—the leader of the Sinaloa Carte—was asked stated if he was responsible for the high level of drug addiction, and he answered that even when he seized to exist, drug consumption will continue (Penn 2016). In other words, drug consumption is not going to end when today's powerful drug cartels stop existing because someone else will take over the business and profit from it. In this sense, there will always be an incentive to continue producing, trafficking, and selling illegal drugs.

Furthermore, if drugs are legalized then legitimate businesses can compete for clientele with the illegal drug cartels. In 1969, Alfred Burger—a professor at the University of Virginia who supervised a chemistry fellowship for a tobacco company—agreed that among legal corporations that would be a great advantage when in a memo he wrote, “the company that would bring out the first marijuana smoking devices, be it cigarette or some other form, will capture the market and be in a better position than its competitors to satisfy the legal public demand for such products” (Wainwright 2016). For legal industries, the idea of legalized marijuana was a lucrative market to get a hold of, and for the Sinaloa Cartel illegal drugs are the

foundation of their business, so if marijuana is legalized it would face stiff competition. For instance, Colorado legalized its marijuana production in 2012 and had built sophisticated facilities designed to grow marijuana without fear of it being eradicated (Wainwright 2016). Colorado's ability to conform to economies of scale without fear from anti-narcotic efforts give it the advantage of producing the drug in a transparent and quick process, unlike the Sinaloa Cartel. Furthermore, in a study done by the Mexican Institute for Competitiveness (IMCO) in 2012, it found that if the states of Colorado, Oregon, and Washington's voted to legalize marijuana for recreational use that "Mexican drug cartels could see their revenue from drug sales in three states drop from 22 to 30-percent"²³. Thus, demonstrating that the legalization of marijuana does impact the Sinaloa Cartel's current lucrative market under the prohibition of drugs.

As the prohibition on drugs stands, the obsession with the supply side has been ineffective. Thus, by recognizing that there is a demand for illegal drugs and that that is what makes the drug industry extremely profitable it is more reasonable to authorize "a limited number of low risk [drugs like marijuana than] trying to ban everything and in practice banning nothing" (Wainwright 2016).

Benefits of education and Rehab vs. Counter-Narcotic Efforts

Under the prohibition of drugs, money is primarily spent on counter narcotics efforts with the goal of reducing a number of people who consume drugs. Ironically, the number of people

²³ Ramsey, Geoffrey. 2012. "Study: US Marijuana Legalization Could Cut Cartel Profits By 30%," November 5.

consuming drugs has increased over the years. Thus, rather than focusing on reducing a number of people consuming drugs it is better to orient people on when and how best to use them. That said, the legalization of marijuana provides the following benefits: reduces profits, protects the health of the population, and reduces the recruitment pool of the Sinaloa Cartel.

The legalization of marijuana provides states with taxes that otherwise would have ended in the pockets of the Sinaloa Cartel. For instance, in Colorado's first year of operation, they earned approximately \$76 million dollars in taxes on marijuana (Wainwright 2016).

Also, the legalization of marijuana would also protect the health of the population. On the one hand, there is no proof that consuming marijuana is a gateway to other drugs (it is argued instead that the consumption of alcohol and tobacco smoking are gateways into drugs like marijuana, cocaine, and heroine). On the other hand, "...drugs are tested for safety and strength, clearly labeled, packed in child-safe containers, and sold in limited quantities to those over twenty-one" (Wainwright 2016). Under these criteria, the drug processed like legal drugs—alcohol and tobacco.

Lastly, the legalization of marijuana reduces the number of people that go to jails and in the long-run the recruitment pool available to any drug cartel. As it stands now, a number of people who are sent to jail has increased dramatically to the point that prisons are over populated and have little resource to attend to each cell mate. This is beneficial to the drug cartels because it forces and forges dangerous prisoners who may associate themselves with gang members. Thus, this is the perfect environment where drug cartels can recruit new members into the system. However, if marijuana is legalized that would be one step in reducing a number of people packed into the system.

Global Efforts to Counter a Global Business

Beginning in the 21st century the prohibition of drugs has become a hotly debated topic. Political leaders like the ex-president of Guatemala have expressed their dissatisfaction with the current international expectation on the drug industry that has been led for the most part by drug cartels. Some like the former two presidents of Mexico have strongly suggested that marijuana should be legalized so that, as ex-president Vicente Fox put it, “...once [marijuana] is legitimate and legal...the money would go to business people and not to “Shorty” Guzman...” (Wainwright 2016).

Unfortunately, despite the ineffectiveness of the current policies Moises Naim—a former executive director of the World Bank—stated that “...those that do not [cooperate] face the consequences: public shaming, economic sanctions, or back-channel punitive uses of American influence with international funding agencies like the World Bank and IMF [International Monetary Fund]”²⁴. In fact, this was the Uruguay’s case who was internationally condemned by the United Nations for legalizing marijuana in 2012.

This discord among the countries of the world has fragmented efforts against the illegal drug industry, which has allowed the Sinaloa Cartel to flourish like a global corporation. That said, this fragmentation also demonstrates a slow but sure shift in thought over how to deal with the illegal drug industry. For instance, although Uruguay is the only country that has legalized marijuana, states such as Colorado and Washington in the United States have also legalized marijuana.

²⁴ Moises, Naim, *Illicit: How Smugglers, Traffickers, and Copycats are Hijacking the Global Economy*.

Nevertheless, scholars argue that the legalization of marijuana or any other narcotic would not put an end to the violence felt in Mexico because the Sinaloa Cartel has diversified into other illegal activities such as extortion, kidnapping, and human trafficking. These also created violent outcomes. Furthermore, if narcotics were to be legalized, it could push the Sinaloa Cartel to rely more intensely on these other illicit activities. However, the drug market is the lucrative market that generates the majority of the capital necessary to maintain its multinational corporation. Plus, if we look at Portugal's decriminalization of narcotics—as a policy that is half way to the legalization of narcotics—it is evident that violence levels were reduced. Therefore, by legalizing marijuana as a baby step towards the legalization of all narcotics it would help reduce the violence currently associated with not just the Sinaloa Cartel, other cartels as well. Therefore, by legalizing marijuana, there will be a healthy competition into a currently lucrative illegal drug market that nurtured illegal multinational corporations like the Sinaloa Cartel. In so doing it may reduce the violence currently existing in Mexico by taking away the Sinaloa Cartel's primary source of income.

CONCLUSION

The thesis question is: how should the Sinaloa Cartel best be conceptualized to understand the increase in violence in Mexico. The literature on this topic focused on Mexico's transition from a centralized to a decentralized government, Calderon's declaration of war on the drug cartels, and the decline of the power of Colombia's Medellin Cartel to explain the reason behind this phenomena since the 1990s. However, this paper argued that rather than look at the Sinaloa Cartel's development in violence as something to do with political changes, it should consider it as a corporation. The similarities between the Sinaloa Cartel and legal businesses are compared using the United Fruit Company, the Brown and Williamson Company, and the Browning Arms Company; three legal corporations well known for their success in offshoring, using social media and working with their home government, respectively. By looking at the Sinaloa Cartel like a multinational corporation, it is easier to understand the role that the prohibition of drugs plays in the Sinaloa Cartel's use of violence. In other words, the market for illegal drugs has increased since Nixon declared war on drugs in the 1970s. Thus, the lack of regulation on drugs through their prohibition is indirectly helping drug trade organizations like the Sinaloa Cartel grow into multinational corporations. These drug trade organizations cannot use the legal court system to resolve disputes, which explains why they rely on violence to protect their illegal drug business in Mexico.

It is important to recognize that the Sinaloa Cartel acts like a corporation because this is in great part the result of what the current prohibition on drugs has unintentionally created—a highly profitable and sophisticated globalized illegal drug industry. The ban on alcohol in the early 20th century falls short on the scale of influence that the Sinaloa Cartel

has accumulated through the prohibition of narcotics, and this trend continues. Marijuana is the first step into denting the profits that drug trade organizations like the Sinaloa Cartel depend on by forcing them to compete with the legal sector. After all, anti-narcotic efforts have accumulated millions of dollars, and rather than seeing drug trade organizations dwindling, they are proliferating, expanding their geographic area of influence, and diversifying their services. Meanwhile, these drug trade groups are still operating in an illegal market, so they rely on violence to keep the business functioning in supply countries like Mexico and consumer countries like the United States—for instance, Chicago. Therefore, current anti-narcotic efforts are not effective in battling against the Sinaloa Cartel's corporation.

Nevertheless, those who agree with the anti-narcotic efforts argue that actions such as the extradition of cartel leaders, the interdiction of drugs at the border, and the eradication of narcotic plants such as marijuana have been successful. For instance, in the extradition of El Chapo to the United States in January of 2017, it was considered a great success because it was rumored to be the end of the Sinaloa Cartel. However, as a former Drug Enforcement Administration (D.E.A.) agent admitted in an interview with NPR, the capture of El Chapo was a “great moral victory” but the Sinaloa Cartel “functions as a global corporation” so it is bound to find another CEO to take on El Chapo's place. As the D.E.A agent had predicted, El Chapo's sons will now take over the Sinaloa Cartel in their father's stead. The problem is that the transition from El Chapo to his successor is not smooth. For instance, recently, “...violence has focused on the sun-scorched agricultural valleys around Culiacan and at the crossroads town of Villa Juarez, where rival factions are fighting over local drug sales” (Agren 2017).

On a related note, under prohibition, there is a high interest on interdicting drugs at the border between the United States and Mexico, but given the number of products crossing per day, it is challenging to catch the drugs before they come into the country. The difficulty faced by anti-narcotic agencies gives drug trade organizations an advantage because it makes it easier to smuggle illegal drugs with legal products. However, under President Donald J Trump, the North American Trade Agreement (NAFTA)—the bilateral trade agreement that enhanced exchanges between the United States, Mexico, and Canada—is under fire²⁵. Since NAFTA plays an important role at the border between Mexico and the United States, it would be interesting to see how disrupting NAFTA would impact the Sinaloa Cartel's growth for future research. After all, as long as the illegal drug business is prohibited it will be profitable, so those actively participating in the industry will continue to use violence to maintain their negotiations and gain the upper hand when there is a void of power.

²⁵ Mckibben, Cameron. 2015. "NAFTA: Great for the Illicit Drug Trade You'd Be Surprised Who Is Really, Really Benefiting from the Canada-Mexico-US Trade Treaty." *Council on Hemispheric Affairs*, March 20. <http://www.alternet.org/drugs/how-nafta-helps-drug-trade>.

BIBLIOGRAPHY

- “#701 Joaquin Guzman Loera.” 2017. Accessed March 26.
https://www.forbes.com/lists/2009/10/billionaires-2009-richest-people_Joaquin-Guzman-Loera_FS0Y.html.
- Beith, Malcom. 2010. *The Last Narco: Inside the Hunt for El Chapo, the World's Most Wanted Drug Lord*. Great Britain: Penguin Group.
- Beittel, June. 2017. “Mexico: Organized Crime and Drug Trafficking Organizations,” April.
<https://fas.org/sgp/crs/row/R41576.pdf>.
- Bergman, Lowell. 2017. “60 Minutes’ Most Famous Whistleblower.” Accessed July 10.
<http://www.cbsnews.com/news/60-minutes-most-famous-whistleblower/>.
- Bero, Lisa. 2005. “Public Health Chronicles: Tobacco Industry Manipulation of Research,” March. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1497700/pdf/15842123.pdf>.
- Bonner, Robert C. 2010. “The New Cocaine Cowboys: How to Defeat Mexico’s Drug Cartels.” *Foreign Affairs* 89 (4): 35–47.
- Castillo, Mariano. 2017. “Drugs, Money and Violence: The Toll in Mexico,” March 27.
<http://www.cnn.com/2016/02/15/world/mexico-drug-graphics/index.html>.
- Decker, Scott H., and Margaret Townsend Chapman, eds. 2008. “Making Sense of Drug Smuggling:: Conclusions and Summary.” In *Drug Smugglers on Drug Smuggling*, 145–62. Lessons from the Inside. Temple University Press.
<http://www.jstor.org.ezproxy.lib.utexas.edu/stable/j.ctt14bt1cv.10>.
- Dermota, Ken. 1999. “Snow Business: Drugs and the Spirit of Capitalism.” *World Policy Journal* 16 (4): 15–24.
- “Drug Facts: Nationwide Trends.” n.d. National Institute of Drug Abuse.
<https://www.drugabuse.gov/publications/drugfacts/nationwide-trends>.
- El Chapo: CEO of Crime*. 2015. News and Politics.
<https://www.youtube.com/watch?v=KOpLZhIIgUI>.

- Estevez, Dolia. 2014. "Mexico's Astonishing Costs Of Fighting Drug Cartels Have Not Reduced Violence." *Forbes*, June 19.
<https://www.forbes.com/sites/doliaestevez/2014/06/19/mexicos-astonishing-spending-on-fighting-drug-cartels-has-not-reduced-violence/#11aebb3f54ac>.
- Ferreras, Jessey. 2016. "Mexico's Drug War Has Hurt the Economy Just like It Has Hurt People," May 3. http://www.huffingtonpost.ca/2016/05/03/mexico-drug-war-economic-costs_n_9825538.html.
- Flynn, Stephen. 1993. "World Wide Drug Scourge: The Expanding Trade in Illicit Drugs." *The Brookings Review* 11 (1): 6–11. doi:10.2307/20080357.
- Freeman, Laurie. 2006. "State of Siege: Drug-Related Violence and Corruption in Mexico Unintended Consequences of the War on Drugs."
https://www.wola.org/sites/default/files/downloadable/Mexico/past/state_of_siege_06.06.pdf.
- Geoffrey, Ramsey. 2012. "In Mexico, Only 30% of Drug Arrests Lead to Conviction." *Insight Crime*, July 17. <http://www.insightcrime.org/news-briefs/30-percent-drug-trafficking-suspects-in-mexico-convicted>.
- Goodman, Amy. 2014. "Drugs Aren't the Problem':Neuroscientist Carl Hart on Brain Science & Myths about Addictions," January 6.
http://www.democracynow.org/2014/1/6/drugs_arent_the_problem_neuroscientist_carl.
- Green, Peter S. 2017. "Cocainenomics." *Wall Street Journal*. Accessed February 22.
<http://www.wsj.com/ad/cocainenomics/>.
- Greene, Kenneth F. 2007. *Why Dominant Parties Lose: Mexico's Democratization in Comparative Perspective*. New York: Cambridge.
- Grillo, Ioan. 2011. *El Narco: Inside Mexico's Criminal Insurgency*. New York: Bloomsbury Press.
- Huffington Post*. 2011. "Sinaloa Cartel Approves Movimiento Alterado's Drug Ballads," December 21, sec. Huffington Post.
http://www.huffingtonpost.com/2011/12/21/movimiento-alterado-sinaloa_n_1163608.html.

“IISS.” 2017. Accessed June 27. <https://www.iiss.org/en/publications/acs/by%20year/armed-conflict-survey-2017-8efc/acs-2017-02-introduction-9b09>.

LAGAYETTE, Pierre. 1995. “Lethal Lobby: The National Rifle Association.” *Revue Française D’études Américaines*, no. 63: 52–64.

Mares, David. 2006. *Drug Wars and Coffeeshouses: The Political Economy of the International Drug Trade*. CQ Press

Mckibben, Cameron. 2015. “NAFTA: Great for the Illicit Drug Trade You’d Be Surprised Who Is Really, Really Benefiting from the Canada-Mexico-US Trade Treaty.” *Council on Hemispheric Affairs*, March 20. <http://www.alternet.org/drugs/how-nafta-helps-drug-trade>.

Morris, Evelyn Krache. 2013. “Think Again: Mexican Drug Cartels.” *Foreign Policy*, no. 203: 30–33.

Naím, Moisés. 2012. “Mafia States: Organized Crime Takes Office.” *Foreign Affairs* 91 (3): 100–111.

“North American Free Trade Agreement | NAFTANow.org.” 2017. *Foreign Affairs and International Trade*. Accessed August 3. http://www.naftanow.org/results/default_en.asp.

O’Neil, Shannon. 2009. “The Real War in Mexico: How Democracy Can Defeat the Drug Cartels.” *Foreign Affairs* 88 (4): 63–77.

Paley, Dawn. 2014. *Drug War Capitalism*. AK Press.

Penn, Sean. 2016. [FULL] EL Chapo Interview from Sean Penn. <https://www.youtube.com/watch?v=2b5UmNEq8y4>.

“The Federal Drug Budget: New Rhetoric, Same Failed Drug War.” 2015. Drug Policy Alliance. https://www.drugpolicy.org/sites/default/files/DPA_Fact_sheet_Drug_War_Budget_Feb2015.pdf.

The New York Times. 2015. “¿Enemigo público? En su tierra natal, El ‘Chapo’ es un héroe,” July 21, sec. Universal. <https://www.nytimes.com/2015/07/18/universal/es/enemigo-publico-en-su-tierra-natal-el-chapo-es-un-heroe.html>.

Time. 2014. "Timeline of El Chapo's Major Escapes and Captures," February 22.
<http://time.com/4173454/el-chapo-capture-escape-timeline/>.

Wainwright, Tom. 2016. *Narco-Nomics: How To Run A Drug Cartel*. 1st ed. New York: PublicAffairs.

Wall Street Journal. 2017. "Chicago Group Withdraws Guzman's Public Enemy No. 1 Title," January 25, sec. New York.
<https://www.wsj.com/articles/AP9d82401427c5429499c8be84bf39de6f>.

Woody, Christopher. 2017. "'El Chapo' Guzmán's Key Role in the Global Cocaine Trade Is Becoming Clearer." *Business Insider*. Accessed February 7.
<http://www.businessinsider.com/the-sinaloa-cartel-and-colombian-cocaine-2015-8>.

Woody, C. (2016, December 15). These maps show how Mexican cartels dominate the US drug market. Retrieved June 4, 2017, from <http://www.businessinsider.com/dea-maps-of-mexican-cartels-in-the-us-2016-12>

Woody, C. (2017, February 8). Killings in Mexico climbed to new highs in 2016, and the violent rhythm may only intensify. *Business Insider*. Retrieved June 5, 2017, from <http://www.businessinsider.com/mexico-homicides-in-2016-under-enrique-pena-nieto-2017-2>

BIOGRAPHY

Adriana Ortiz was born in Toluca, Mexico, but moved to the United States with her parents in the hopes of curing her brother's meningeal disease. Since then, she has lived the majority of her life in Austin, and in May 2017 she graduated from the University of Texas at Austin with degrees in Plan II Honors, and International Relations and Global Studies. Then, in September of 2017 she will start working at Accenture as a business analyst. Later in her future, she hopes to travel to Mexico and help build an orphanage system that will offer homeless children an alternative life than that of the Sinaloa Cartel's corporate drug world.